Echo Accountants

INCOME TAX 2026

Understanding your Income Tax position and the opportunities available to improve tax efficiency.

Straightforward accounting.
Real people.
Clear support.
Total clarity.

01 WHAT INCOME IS TAXABLE?

Most types of income are subject to Income Tax, including:

- Employment Income
- Self-employment profits
- Pension income
- Dividends
- Rental income
- Benefits in kind (e.g. company car)

SOME INCOMES ARE TAX-FREE, SUCH AS:

- ISA income
- Certain savings interest
- Premium bond winnings
- Universal Credit

ⓘ Understanding the difference is key to effective tax planning.

02 INCOME TAX RATES (2026-27)

ENGLAND & NORTHERN IRELAND

0%	Savings starter rate (£1–£5,000)
20%	Basic rate (up to £37,700)
40%	Higher rate (£37,701–£125,140)
45%	Additional rate (over £125,140)

SCOTLAND

19%	Starter rate	**42%**	Higher rate
20%	Basic rate	**45%**	Advanced rate
21%	Intermediate rate	**48%**	Top rate

03 KEY TAX-FREE ALLOWANCES

You may be entitled to reduce your tax bill through allowances:

£12,570
Personal Allowance

£500
Dividend Allowance

Personal Savings Allowance
- £1,000 (basic-rate taxpayers)
- £500 (higher-rate taxpayers)

ⓘ Using these allowances effectively can significantly reduce your overall tax liability.

04 WAYS TO REDUCE YOUR TAX BILL

- Pension contributions
- Claiming allowable employment expenses
- Gift Aid donations
- Investment reliefs (e.g. EIS schemes)
- Offsetting trading losses

ⓘ This is not exhaustive—tailored advice is essential to ensure you're not missing opportunities.

05 ADDITIONAL ALLOWANCES FOR COUPLES

If you're married or in a civil partnership, you may be able to transfer unused personal allowance.

- Up to £1,260 can be transferred
- Maximum saving: £252 per year
- Applies where one partner is a basic-rate taxpayer

06 DIVIDEND INCOME

Dividends are taxed differently from other income:

- **First £500: tax-free**
- Then taxed depending on your income band

i Dividend planning is especially important for company directors to ensure tax efficiency.

07 KEY TAX TRAPS TO WATCH OUT FOR

HIGH INCOME CHILD BENEFIT CHARGE

If your income exceeds £60,000:

- Child Benefit starts to be clawed back
- Fully withdrawn once income reaches £80,000

Planning ahead can help you avoid unexpected tax bills.

THE 60% TAX TRAP

If your income exceeds £100,000:

- Your Personal Allowance is reduced
- Creates an effective 60% tax rate on income between £100,000 and £125,140

Careful planning (such as pension contributions) can help avoid this.

OTHER MARGINAL RATE ISSUES

You may also face higher effective tax rates if:

- You lose entitlement to tax credits or Universal Credit
- Your income affects pension contribution limits

These “hidden” tax rates can have a significant impact if not managed properly.

08 SELF-ASSESSMENT EXPLAINED

Not everyone needs to file a tax return.

- Employees and pensioners pay tax via PAYE
- Self-employed individuals must file annually
- Payments are usually due in January and July

i If you're unsure whether you need to file, it's important to check.

09 WHAT ABOUT MAKING TAX DIGITAL (MTD)?

MTD is changing how Income Tax is reported.

- Applies to self-employed individuals and landlords
- Requires quarterly digital submissions
- Will eventually replace the annual tax return

i This is a major shift in how tax is managed—and preparation is key.

10 WHAT SHOULD YOU DO NOW?

- Review your income sources
- Check which tax bands you fall into
- Make full use of available allowances
- Identify any exposure to higher marginal rates
- Seek advice before making financial decisions

11 HOW ECHO ACCOUNTANTS CAN HELP

- Reviewing your full income position
- Identifying tax-saving opportunities
- Structuring your income efficiently (salary, dividends, etc.)
- Advising on allowances, reliefs and planning strategies
- Ensuring you remain compliant with HMRC

For guidance only. This factsheet does not constitute professional advice. We accept no liability for any loss arising from reliance on this information. Please seek advice based on your specific circumstances.

NEXT STEP

If you want clarity on your income Tax position and how to reduce it, speak to Echo Accountants today.

BOOK A CALL

020 8087 3107 www.echoaccountants.co.uk info@echoaccountants.co.uk Stockley Park, 4 Longwalk, Uxbridge UB11 1FE